

**SCOTTSDALE TOURISM DEVELOPMENT COMMISSION
CITY OF SCOTTSDALE
PINNACLE CONFERENCE ROOM
7575 EAST MAIN STREET
SCOTTSDALE, ARIZONA
JANUARY 18, 2005
MINUTES**

PRESENT: Ned Sickle, Chairman
John Holdsworth, Vice Chairman
Margaret Dunn, Commissioner
Jerry Gleason, Commissioner
Tom Morrow, Commissioner
Sally Shaffer, Commissioner

ABSENT: Gordon Zuckerman, Commissioner

STAFF: Kathy O'Connor
Kathy Montalvo
Lee Guillory
Craig Clifford
Mac Cummins
Brad Gessner
Roger Klingler
Jennifer Greenfield

OTHERS PRESENT FOR ALL OR PORTIONS OF THE MEETING:

Wayne Ecton, Councilman
Brent DeRaad
Rachel Sacco

CALL TO ORDER

Chairman Morrow called the regular meeting of the Scottsdale Tourism Development Commission to order at 8:00 a.m.

ROLL CALL

A formal roll call confirmed members present as stated above.

APPROVAL OF MINUTES

A MOTION WAS MADE BY COMMISSIONER HOLDSWORTH TO APPROVE THE MINUTES OF THE DECEMBER 21, 2004 MEETING AS PRESENTED. THE MOTION WAS SECONDED BY COMMISSIONER DUNN AND PASSED UNANIMOUSLY.

ELECTION OF CHAIRMAN AND VICE CHAIRMAN

Ms. O'Connor stated the By-laws require the Commission to elect a chairman and vice chairman at the January meeting.

Chairman Morrow opened nominations.

COMMISSIONER GLEASON NOMINATED NED SICKLE AS CHAIRMAN AND JOHN HOLDSWORTH AS VICE CHAIRMAN OF THE TOURISM DEVELOPMENT COMMISSION. SECOND BY COMMISSIONER DUNN AND PASSED UNANIMOUSLY.

Ms. O'Connor thanked Tom Morrow for all of his work, support, and input. She stated the Commission accomplished some significant things last year.

REDEVELOPMENT OF RESORT PROPERTY

Ms. O'Connor stated during the past year, the Tourism Development Commission has discussed the changing character of the Scottsdale product and the resulting implications for the City's tourism development and marketing efforts. She further stated one of the issues currently facing the City and the tourism industry is the loss of hotel product due to the increased interest of developers in older resort hotel sites that can be redeveloped as condominiums. She introduced Mac Cummins Senior Planner with the City to present information on this issue.

Mac Cummins stated that he is here to get input from the Commission to provide a sense of what is best for the community in light of what appears to be a growing trend. He further stated that City staff has received an application to demolish an older, resort style hotel in the Mid-Scottsdale Road area; and replace it with private condominiums. The request would involve a General Plan Amendment and a zoning change, both of which are legislative approvals, requiring public hearings before the Planning Commission and the City Council. He reported that staff is being told by the applicant that the older, resort style product in this area is not a viable, functional market alternative, and therefore is not compatible in this location; and staff is concerned that some older hotel product types might be susceptible to this type of adaptive re-use. He requested input on hotels and the image of the visitor/tourism in the Mid-Scottsdale Road area; i.e., is there a market trend toward whether the urban experience (W or James Hotel) or resort

properties on outlying areas (i.e. Four Seasons), and are the older properties going extinct? He noted that the General Plan talks specifically about the image and the resort character and tourism as being very integral in this area.

Commissioner Gleason stated that he felt it would be a shame to lose these resorts. He further stated these resorts that have closed, have closed as a result of a lack of capital investment on a timely basis. He explained one of the reasons is that you have a property with a fabulous land value but poor economic times for a period of years. And that is the reason the ownership of the property have not invested the capital needed where people coming to Scottsdale want to stay at these resorts.

Chairman Sickie stated that he would agree with Commissioner Gleason but would note that the general complexity of the hotel industry is very optimistic in terms of a very strong year in Scottsdale.

Vice Chairman Holdsworth stated with mixed-use properties the developer could get a return on the investment much faster.

Commissioner Dunn inquired if the city is looking at two properties: the Sunburst and the Radisson. Mr. Cummins replied the concern is regarding the trend. Commissioner Dunn stated that she would agree there seems to be a trend. Commissioner Holdsworth stated once the trend starts he thought it will be something down the road that we would regret and would caution the Planning Department not to allow too many conversions.

Chairman Sickie stated that he also sees the trend of putting condos on top of the hotel to help subsidize the cost of the construction.

Vice Chairman Holdsworth inquired about the percentage of condos in the city versus single-family homes. Mr. Cummins replied that recently thousands of condo units have gone through the City Council but the percentage is not big, noting a number of the projects have been in the downtown.

Commissioner Gleason stated that everybody needs to remember that the only way hotels make money is by the number of room nights they sell, so if the density is restrictive then the developer will look for the short-term easy buck. He presented information on the La Posada redevelopment project noting the density will be slightly higher with a mixed use.

Ms. Sacco expressed her concern regarding losing resort properties on Scottsdale Road to condos because condos do not contribute to the bed tax.

Councilman Ecton stated that he appreciates this discussion being brought forward to the TDC and Mr. Cummins did a great job presenting this issue. He further stated that he had the opportunity to consider a condo over the Valley Ho and the W Hotel but he couldn't do that because what happens if the hotel fails. He remarked that he would hate

to lose the resorts along Scottsdale Road and felt that area should remain zoned for resorts.

Commissioner Morrow stated the image of Scottsdale has been built on the back of the resort industry and if we lose these properties we will lose the bed tax and our property and sales taxes will have to go up.

Vice Chairman Holdsworth stated that we need to find creative developers to work with them to find solutions to get the capital required to bring these resorts to the level we would like to see.

Ms. Sacco cautioned if we lose these properties along Scottsdale Road the visitors would end up in Paradise Valley and Phoenix.

Mr. Cummins stated that he would provide the Commission with regular updates regarding this issue.

MONTHLY UPDATES

Bed-Tax Report

Ms. O'Connor stated included in the Commission packet is the monthly updates on the Bed Tax Fund Collection Report. She reported the numbers continue to be positive with November's numbers being 13% ahead of last year to date.

Commissioner Gleason requested the report include an extra line that shows information on the same time last year.

Smith Travel Research Lodging Report

Ms. O'Connor discussed the highlights of the Smith Travel Report.

Project Status Updates

Ms. O'Connor provided an update on the status of the Desert Discovery Museum Feasibility Study, CVB film footage for commercial and video and funding for community events.

Ms. O'Connor reported Pat Dodds the Public Information Officer for the City is talking to some reporters regarding tourism related stories and Mr. Dodds is very interested in knowing if the Commission has an angle or approach he might be able to pitch. He further reported that there have been a couple of articles in the Scottsdale Republic on the benefits of tourism.

Commissioner Dunn suggested that a good news article would be on the free Scottsdale Trolleys noting there are a tremendous amount of local passengers.

DESTINATION MARKETING PROGRAM UPDATE

Ms. Sacco provided an update on what the CVB is working on. She commented on the research done on the future customers. The CVB is in the process of putting together the Destination Plan for FY05/06. A quarterly update is scheduled tomorrow morning at the Chaparral Suites. She presented information on the how much of their budget comes from the private sector.

Ms. Sacco presented information on the technology updates that are needed. She reported that the database was a TDC funded program.

FY 2005-2006 BED TAX PROFORMA

Ms. O'Connor provided a brief overview of the Bed Tax Proforma. Ms. O'Connor responded to questions and comments from the Commission members regarding the Bed Tax Proforma.

Ms. Guillory reviewed the process for expending the unallocated carryover balance. She responded to questions and comments from the Commission members regarding the carryover funds.

Ms. O'Connor provided an update on the Budget Subcommittee meeting that was held last Tuesday noting the focus of the conversations was to develop the budget to forward to the City Manager and Council. Vice Chairman Holdsworth noted the discussion went around priorities for the CVB and the difficulties of attracting new and repeat customers and that currently they don't have the funds available to address that.

Chairman Sickie inquired if this is an action item. Ms. O'Connor replied in the negative.

WESTWORLD MASTER PLAN FUNDING

Ms. O'Connor reported that it has been suggested that a portion of the bed tax funds be used to help pay for a capital project that supports the tourism industry, specifically the Multi Purpose Exhibit Hall that is part of the Master Plan improvements at WestWorld.

Ms. Guillory explained that funding sources for capital projects are currently being identified in conjunction with the City's FY2005-2006 budgeting process and it has been suggested that bed tax funds be considered for investment in this project. Financial Services estimates that a maximum amount of \$300,000 annually could be appropriated, while still leaving sufficient funds for the remainder of the tourism development program operating expenses.

Mr. Gessner provided information on the proposed Exhibit hall and on the groups that has expressed interest.

Commissioner Gleason commented on the importance of the WestWorld facility. He inquired about the projected annual increase in revenue from the Exhibit hall. Mr. Gessner replied within a few years, the Exhibit Hall would be operating in the black. Councilman Ecton reported this facility would help them keep some of the events we have rather than lose them. Mr. Gessner reported that it is likely we would lose some major events if we do not move forward with the improvements.

Vice Chairman Holdsworth inquired if we would be able to attract new events while accommodating the existing. Mr. Gessner replied in the affirmative. He explained that this facility would allow for a lot of flexibility.

Vice Chairman Holdsworth stated when the Master Plan was updated he thought that he read that the City Council approved funds for the development of the plan over the next 10 years. Mr. Gessner replied that there was a misleading article and when the Master Plan was approved, there was a stipulation we had to come back with various phasing for the funding.

Vice Chairman Holdsworth stated that he felt the Commission should assist with funding for WestWorld but he was hoping the project could be accelerated. Councilman Ecton reported that WestWorld is a high priority of the Council.

Roger Klingler, Assistant City Manager, stated the construction has been accelerated and the design is underway and the contractor has been hired.

Vice Chairman Holdsworth requested feedback from the CVB regarding how this project would help your goals. Ms. Sacco replied that we are always interested in venues that help attract incremental business. She explained that we are excited to have an additional venue we can market.

Commissioner Morrow commented that he has never seen anything move so quickly. He further commented that he supports WestWorld but felt the questions regarding the economics have not been adequately addressed.

Mr. Clifford provided information on the economics of the project.

Vice Chairman Holdsworth stated he would have preferred to have a slightly more enhanced view of the return on investment.

Commissioner Gleason stated we started this meeting with a discussion of hotels going out of business because of failure to have capital investment and this is the same thing so he is in favor of the request.

COMMISSIONER DUNN MOVED THAT THE TOURISM DEVELOPMENT COMMISSION APPROVE THE WESTWORLD MATER PLAN FUNDING IN A MAXIMUM AMOUNT OF \$300,000 ANNUALLY. SECOND BY VICE CHAIRMAN HOLDSWORTH AND PASSED UNANIMOUSLY.

Chairman Sickie inquired if the Commission could act to expedite the effort. Mr. Klingler suggested the Chairman attend the Budget Hearings. Vice Chairman Holdsworth suggested the Chairman on behalf of the Commission present a letter of support.

ADJOURNMENT

The meeting concluded at 9:50 a.m.

Respectfully submitted,

“For the Record” Court Reporters